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Marketing Italy's Agro-Food Products -- The "Made in Italy" Strategy

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Approved by:
Geoffrey Wiggin
U.S. Embassy

Prepared by:
Geoffrey Wiggin

Report Highlights: Italy is a very successful exporter of processed agricultural products. Many processed food producers are directly or indirectly dependent upon imported ingredients to maintain and increase their production. With domestic Italian expenditures for food falling in recent years (a trend only staunch in 2006), export markets are the main engine for economic growth in the primary and processed food sectors.

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The “Made in Italy” strategy calls for the promotion and protection of the image that Italian food has for quality around the world. The major Italian farmer unions, which are politically puissant, all actively support this strategy, the relevant organs of the Government of Italy (GOI) advance it and all political parties espouse it. “Made in Italy” activities in foreign markets are implemented by the Italian Trade Commission (ICE) and BuonItalia using private and public sector funding. Not unexpectedly, the major food processing companies also support the strategy, but sometimes, for reasons discussed below, their enthusiasm is muted.

The strategy is predicated upon two insights: first, that Italian production agriculture is inefficient and can’t compete on price in the global marketplace, and second, that the reputation of Italian foods for quality (fresh, healthy, natural, traditional, etc.) represents an opportunity to compete on that basis.

The “Made in Italy” approach to export markets for Italian food and beverage products underpins positions taken by the GOI. Some of these have been discussed in detail in previous reporting (see IT5034, IT6014 and IT7006), but will be itemized here:

- Geographic Indications (GIs): GIs are seen as a tool for creating market differentiation between artisanal Italian products and their less expensive generic counterparts. Under certain circumstances this marketing strategy can be very successful, resulting in higher sales and returns to the producers. It helps to explain the success of Prosciutto di Parma and Parmigiano Reggiano in the US as well as DOC wines. In other cases, where actual product differentiation doesn’t exist or is hard to identify with value, or where production is too small, fragmented and expensive to compete, it fails. Italian farmer unions are adamant that globalizing the EU’s system of GI protections will defend their local products from similar substitutes in their own and international markets. GIs have become Italy’s primary interest in the Doha Round Negotiations and a crutch against competition.
- Genetically Modified Foods and Crops: Since the inefficient nature of Italian agriculture is assumed as inevitable, there is no reason to introduce cost-cutting income-enhancing genetically modified crops into Italy; and since the introduction of “new-fangled” genetically modified food ingredients would confuse consumers that are being told “traditional” and “organic” are traits of “Made in Italy” products, the political parties of Italy and the farmer unions maintain a steadfast anti-GMO position.
- Country of Origin Labeling (COOL): the vocal farmer unions see COOL as a means of ensuring that Italian consumers know the origin of every food product and every ingredient. The Ministry of Agriculture supports this position. The presumption is that this knowledge will lead the Italian buyer to eschew foreign products as poor in quality and of questionable safety. Indeed, this is the public line taken by supporters of “Made in Italy.” Again, the strategy is to differentiate products in the market. Unfortunately, this approach completely ignores price as a factor in consumer decision-making.
- Fake Italian Foods: Supporters of “Made in Italy” need to successfully differentiate their products in the marketplace if they are to sell their relatively expensive goods. This has led to public sector funding for extensive shelf surveys in foreign markets, particularly North America, to catalog so-called fake or counterfeit Italian products. These studies have been used to excite Italian indignation over foreign Italianate products and practices, and to rally GOI support for the EU’s GI position in the Doha negotiations as an antidote. Unfortunately for the “Made in Italy” campaign, the vast majority of the products decried as “fake Italian” are simply employing, perfectly legally, Italian names, terms and images that are in common usage, rather than infringing on trademarks or illegally mislabeling foreign products as being made in Italy. Naturally, emigrant Italian communities outside of Italy are a driver of demand

for Italian foods; but the same populations make it possible for non-Italians to produce Italian-style products, and use the Italian language. Alas, there is no ownership of language. From the "Made in Italy" campaign perspective, however, these competing products are frustrating as they are usually less expensive and of different quality from Italian originals, and they interfere with the "Made in Italy" objective of selling Italian goods.

On this final point rests the fault-line within the set of organizations that publicly support "Made in Italy." While the farmer organizations and policy makers are all for it, large food processors tend to give it lip service. Most major processors have their own considerable marketing budgets for promoting their own products (which may also focus on "Italianness" as a value point), but many also rely on imported ingredients - Italy imports wheat, olive oil, corn, soybeans, rapeseed, milk, tomatoes, tree nuts, lentils, beef, pork, coffee, chocolate, among other things, for processing or feeding animals that go into processing. While the farmer organizations and politicians paint the "Made in Italy" campaign as though it were synonymous with "Grown in Italy" it is clearly not.

So where do the Italian food processors draw their line on "Made in Italy?" First, these companies *don't* balk in public as to do so would go against a well-developed tide of gastro-chauvinism that would wash over the recalcitrant. Food processors do not, however, in general, support the notion of labeling the provenance of ingredients. The sector depends on access to imported ingredients, as it depends on export markets.

Second, in export markets Italian food processors are aware that brand loyalty outweighs consumer awareness of "Made in Italy." Where the two work together, the companies are pleased with the results. The processors do not want to begin confusing the consumer with distinctions between product made from Italian ingredients and products made otherwise - they want consumers to buy their products, period.

The "Made in Italy" campaigners ran into this last difficulty last year when statistics on fake Italian food in America were unveiled. A major Italian food manufacturer with a large production facility in the United States was concerned that the definition for fake Italian food would include the products from their US plant. The difficulty was papered over, and the company's US products were included under the "Made in Italy" umbrella with the understanding that "real Italian recipes" were used. The farmer unions weren't completely pleased. The fact remains that quality Italian food can be produced perfectly well outside of Italy. It is this understanding that is behind efforts by Italian cheese and ham producers to bring their expertise and production to the less expensive ingredients available in other countries rather than the other way around.

While "Made in Italy" is a wonderful tool, it is a marketing tool, not a philosophy. Observers fear that while all the organizations that represent Italy's production agriculture focus on "quality," Italian agriculture will become more and more noncompetitive; that surviving on "quality" will mean foregoing progress on the problems of small holdings, of complex marketing channels, of lack of cutting edge research on new varieties and technologies, and that single-minded adherence to "Made in Italy" will simply ensure that Italian farmers remain as inefficient as they are assumed to be.